

Message Text

SECRET

PAGE 01 BONN 12801 01 OF 03 122020Z
ACTION SS-25

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FM AMEMBASSY BONN
TO SECSTATE WASHDC IMMEDIATE 0165
USMISSION GENEVA IMMEDIATE

S E C R E T SECTION 01 OF 03 BONN 12801

EXDIS

DEPARTMENT PASS WHITE HOUSE

GENEVA FOR SECRETARY VANCE

E.O. 11652: GDS
TAGS: ETEL, EGEN, MPOL, XA, US, GW
SUBJECT: CONVERSATION WITH CHANCELLOR SCHMIDT
CONCERNING BILATERAL VISIT AND SUMMIT

REF: (A) BONN 12445, (B) STATE 172356, (C) BONN 12413

BEGIN SUMMARY. I CALLED ON CHANCELLOR SCHMIDT JULY 12
AT MY REQUEST AND SAID I WOULD BE INTERESTED IN ANY
VIEWS OR COMMENTS HE MIGHT HAVE IN ADDITION TO THOSE
ALREADY PASSED TO THE PRESIDENT BY TELEPHONE CONCERNING
BILATERAL VISIT AND SUMMIT CONFERENCE. SCHMIDT WAS
ACCOMPANIED BY RUHFUS; I WAS ALONE. SCHMIDT DISCUSSED
BILATERAL VISIT IN POSITIVE BUT GENERAL TERMS. CON-
CERNING SCHEDULE, HE NOTED HIS "SADNESS" THAT AIR
INSERTION PORTION OF VISIT TO TROOPS AT WIESBADEN/
ERBENHEIM HAD BEEN CANCELLED BY U.S. U.S. PROBLEMS
WITH FRG BUNDESPOST CONCERNING EUROPEAN TELECOMMUNICA-
TIONS SYSTEM WERE MENTIONED. SCHMIDT DETAILED ACTIONS
SECRET

SECRET

PAGE 02 BONN 12801 01 OF 03 122020Z

HE WAS TAKING AS A RESULT OF PRESIDENT'S LETTER TO HIM
OF JULY 5 ON MTN. HE PROVIDED INTERESTING BACKGROUND
ON HIS THINKING CONCERNING EUROPEAN MONETARY
COOPERATION AND ALSO DISCUSSED GENERALLY SUBJECTS HE
EXPECTS WILL BE RAISED AT BREAKFAST FOR FOUR CHIEFS OF
GOVERNMENT JULY 17. SCHMIDT SEEMED IN GOOD FORM AND
WAS RELAXED AND CONFIDENT IN MANNER. END SUMMARY.

1. THE CHANCELLOR SAID HE HAD NO PARTICULAR PROBLEMS FROM HIS STANDPOINT WITH REGARD TO PRESIDENT'S BILATERAL VISIT. HE LOOKED FORWARD TO A GOOD ONE-ON-ONE TALK WITH THE PRESIDENT WHEN THEY MEET JULY 14, AT WHICH TIME THEY CAN DISCUSS FRANKLY WITH EACH OTHER HOW FAR THEY CAN GO TOGETHER IN DEVELOPING A PACKAGE FOR THE SUMMIT. HE THOUGHT IT WOULD BE IMPORTANT TO DEFINE IN THE TALK WITH THE PRESIDENT WHAT EACH ONE COULD SHOULD IN THIS CONNECTION. OF COURSE, A KEY QUESTION OF INTEREST, THE CHANCELLOR SAID, WOULD BE WHAT THE PRESIDENT WOULD BE IN A POSITION TO STATE CONCERNING A U.S. ENERGY PROGRAM. FOR THE CHANCELLOR'S PART, THE PRESIDENT SHOULD BE ASSURED THAT HE WOULD DO THE VERY BEST HE COULD TO BRING ABOUT A WORKABLE COMPROMISE OF THE VARIOUS NATIONAL POSITIONS ON ALL ISSUES SO THAT A SUMMIT PACKAGE WOULD EMERGE WHICH WOULD REPRESENT A SERIOUS COMMITMENT AND WOULD HAVE REAL MEANING.

2. AS TO PARTICULAR BILATERAL PROBLEMS, RUHFUS NOTED THAT QUESTION OF NEGOTIATIONS REGARDING A EUROPEAN TELECOMMUNICATIONS SYSTEM AND ITS APPLICATION TO U.S. MILITARY FORCES MIGHT ARISE DURING TALKS WITH PRESIDENT (REF A). SCHMIDT SAID HE WAS AWARE THAT A PROBLEM SEEMED TO EXIST IN THIS AREA BUT HE WAS NOT FAMILIAR

SECRET

SECRET

PAGE 03 BONN 12801 01 OF 03 122020Z

WITH THE DETAILS. I BRIEFED HIM ON ESSENTIAL POINTS, NOTING THAT U.S. HAS PUT FORWARD WHAT SEEMS TO BE REASONABLE COMPROMISE POSITION. WHEN CHANCELLOR SAID HE COULD NOT UNDERSTAND WHY U.S. REFUSED TO PURCHASE GERMAN TELEPHONE EQUIPMENT, I SAID THIS WAS NOT THE CASE AND I REPEATED THAT SUGGESTIONS WE HAVE MADE WOULD REPRESENT REASONABLE COMPROMISE. CHANCELLOR SAID HE WOULD LOOK INTO THIS PROBLEM PERSONALLY.

3. DURING BRIEF REVIEW OF SCHEDULE FOR BILATERAL VISIT, CHANCELLOR NOTED HIS "SADNESS" THAT, APPARENTLY AS A RESULT OF DECISION BY SECRETARY OF DEFENSE BROWN, THE AIR INSERTION PORTION OF TROOP REVIEW AND DEMONSTRATION AT WIESBADEN/ERBENHEIM HAD BEEN CANCELLED. HE THOUGHT THIS WOULD BE A USEFUL DEMONSTRATION AND WOULD HAVE MEDIA APPEAL. IT WAS CLEAR FROM HIS COMMENTS THAT HE

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PAGE 01 BONN 12801 02 OF 03 122025Z
ACTION SS-25

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S E C R E T SECTION 02 OF 03 BONN 12801

EXDIS

WOULD LIKE TO SEE IT PUT BACK ON SCHEDULE, ALTHOUGH HE
OBVIOUSLY WAS NOT INSISTING ON THIS.

4. CHANCELLOR REFERRED TO PRESIDENT'S MESSAGE ON JULY 5
(REF B) ON MULTILATERAL TRADE NEGOTIATIONS, URGING THAT
CHANCELLOR ATTEMPT TO CONVINCE HIS EUROPEAN COMMUNITY
COLLEAGUES OF NEED TO BE SUFFICIENTLY FLEXIBLE IN
NEGOTIATING AN AGREEMENT. CHANCELLOR SAID THAT UPON
RECEIPT OF PRESIDENT'S MESSAGE HE HAD IMMEDIATELY PHONED
TO HAVERKAMP (FRG NATIONAL WHO IS EC COMMISSIONER FOR
AGRICULTURE) AND HAD URGED HIM TO DO EVERYTHING POSSIBLE
TO PERSUADE EC COMMISSION TO BE MORE FORTHCOMING. HE
UNDERSTOOD THERE WOULD BE MEETING THIS EVENING IN
GENEVA ON AGRICULTURAL ISSUES AND HE WOULD FOLLOW UP
WITH HAVERKAMP TOMORROW. CHANCELLOR SAID HE HAD
STRESSED IN PARTICULAR WITH HAVERKAMP PRESIDENT'S
STATEMENT THAT STRAUSS HAD BEEN INSTRUCTED TO "MEET
THE COMMISSION HALF WAY".

5. ON THIS SUBJECT, SCHMIDT ADDED THAT FRG AGREES
ENTIRELY WITH U.S. BUT THAT IT CANNOT ACT ALONE IN
EUROPEAN COMMUNITY. I NOTED IN PARTICULAR LIST OF
PRODUCTS IN AGRICULTURAL AREA ON WHICH AMBASSADOR
STRAUSS FEELS PROGRESS IS NEEDED. CHANCELLOR SAID HE
SECRET

SECRET

PAGE 02 BONN 12801 02 OF 03 122025Z

HOPED AGREEMENT COULD BE REACHED ON THESE AND THAT THERE
ALSO COULD BE COMPROMISE ON MATTER OF SELECTIVE SAFE-
GUARDS.

6. COMMENTING ON EUROPEAN MONETARY SCHEME, SCHMIDT SAID THAT, IF IT WORKS OUT AS HE HOPES, IT WILL SMOOTH OUT VOLATILE MOVES OF THE DOLLAR BY MAKING IT MORE DIFFICULT TO SPECULATE AGAINST THE DOLLAR. THIS IS BECAUSE THE EUROPEAN CURRENCIES WOULD BE TIED TOGETHER AND COULD NOT BE USED TO SPECULATE INDIVIDUALLY. HOWEVER, CHANCELLOR ACKNOWLEDGED THAT THE EUROPEAN COOPERATION SCHEME MIGHT RESULT IN AN INCREASED DANGER OF SPECULATION AGAINST THE YEN. HE THOUGHT THIS WAS A MATTER WHICH REQUIRED FURTHER STUDY AND ANTICIPATED THAT IT MIGHT CAUSE SOME PROBLEMS WITH THE JAPANESE.

7. CONTINUING, SCHMIDT SAID EUROPEAN MONETARY SYSTEM AS HE ENVISAGED IT WOULD BE PEGGED TO A COMMON DENOMINATOR REPRESENTING A BASKET OF EUROPEAN CURRENCIES; THIS DENOMINATOR WOULD FLOAT AGAINST ALL OUTSIDE CURRENCIES AND, IN GENERAL, WOULD OPERATE LIKE THE PRESENT SNAKE. HE REPEATED THAT HE THOUGHT THE SCHEME WOULD REDUCE VOLATILE FLUCTUATIONS OF THE DOLLAR ALTHOUGH IT OBVIOUSLY COULD NOT CORRECT BASIC PROBLEMS RELATING TO THE DOLLAR.

8. SCHMIDT DID NOT ANTICIPATE THAT EUROPEAN MONETARY SCHEME WOULD BE A MAJOR ITEM OF DISCUSSION AT THE SUMMIT. HE DID NOT PLAN TO STRESS IT, ALTHOUGH IT WAS POSSIBLE THE JAPANESE MIGHT RAISE SOME QUESTIONS ABOUT IT. HE NOTED THAT IMPLEMENTATION OF THE SCHEME WAS SOME DISTANCE OFF AND WOULD NOT OCCUR BEFORE DECEMBER 5, IF THEN. HE REMARKED THAT, IN ADDITION TO THE FRENCH,
SECRET

SECRET

PAGE 03 BONN 12801 02 OF 03 122025Z

THE ITALIANS FAVOR THE SCHEME AND IT WAS EVEN POSSIBLE THAT THE IRISH MIGHT WISH TO JOIN. IT REMAINS TO BE SEEN WHETHER THE UK WOULD BE INTERESTED IN JOINING AFTER ELECTIONS IN THE FALL. LOOKING AHEAD, CHANCELLOR SAID THAT, IF SYSTEM FUNCTIONS WELL OVER NEXT FIVE-YEAR PERIOD, IT COULD LEAD TO SITUATION IN WHICH THERE WOULD BE THREE PRIMARY SYSTEMS IN THE WORLD MONETARY STRUCTURE: ONE CONSISTING OF THOSE COUNTRIES ORIENTED AROUND THE DOLLAR; A SECOND EMBRACING THE COUNTRIES JOINING IN THE EUROPEAN COOPERATIVE SYSTEM AND OTHER CURRENCIES WHICH WOULD BE ASSOCIATED WITH IT; AND, THREE, THE YEN AND OTHER COUNTRIES IN ASIA WHICH MIGHT BE WITHIN THE YEN AREA.

9. IN SPEAKING OF ISSUES WHICH HE ANTICIPATED WOULD BE DISCUSSED AT THE BREAKFAST MEETING JULY 17 OF THE FOUR CHIEFS OF GOVERNMENT, SCHMIDT SEEMED TO PLACE PARTICULAR EMPHASIS ON AFRICA. HE MENTIONED HIS OWN VIEW THAT IT

WOULD BE DESIRABLE IF DURING 1978 THE LEADING WESTERN POWERS COULD DEVELOP A COORDINATED PROGRAM ON ALL OUTSTANDING ISSUES IN AFRICA. IN THIS CONNECTION, HE MENTIONED RHODESIA AND NAMIBIA AS AREAS WHERE COORDINATION ALREADY EXISTS, AND ADDED THE OGADEN, ETHIOPIA, THE POTENTIAL DIFFICULTIES BETWEEN KENYA AND SOMALIA AND BETWEEN TANZANIA AND ZAMBIA. REFERRING TO HIS RECENT VISIT TO ZAMBIA, SCHMIDT SAID HE WAS MOST IMPRESSED WITH KAUNDA AND HOPED THAT IT WOULD BE

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PAGE 01 BONN 12801 03 OF 03 122022Z
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S E C R E T SECTION 03 OF 03 BONN 12801

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POSSIBLE FOR THE WEST TO DO SOMETHING ABOUT THE PROBLEMS OF THIS TINY COUNTRY.

10. OTHER SUBJECTS WHICH SCHMIDT ANTICIPATED WOULD ARISE AT THE FOUR POWER BREAKFAST IN ADDITION TO AFRICA WERE RELATIONS WITH THE SOVIET UNION, SALT II AND THE MIDDLE EAST. ALSO, THERE OF COURSE WOULD BE SOME DISCUSSION OF INNER-GERMAN QUESTIONS AS WELL AS BERLIN. SCHMIDT NOTED THE PRESIDENT WOULD HAVE VISITED BERLIN AND THAT THE GROUP WOULD BE INTERESTED IN HIS IMPRESSIONS OF HIS VISIT. IN RESPONSE TO MY QUESTION, SCHMIDT SAID HE DID NOT PLAN TO STRESS GRAY AREA PROBLEMS IN CONNECTION WITH ARMS CONTROL MATTERS, ALTHOUGH OTHERS MIGHT RAISE THIS SUBJECT.

11. IN AN ASIDE ON EAST-WEST RELATIONS, SCHMIDT REFERRED TO HIS RECENT CONVERSATION WITH THE BULGARIAN FOREIGN MINISTER (REF C) IN WHICH THE BULGARIAN, CLEARLY AT THE

INSTIGATION OF THE SOVIETS, HAD EXPRESSED CONCERNS ABOUT CHINA AND HAD INDICATED THAT THE SOVIET LEADERSHIP DOES NOT HAVE A CLEAR UNDERSTANDING OF U.S. POLICY TOWARD THE SOVIET UNION. THE CHANCELLOR SAID HE ANTICIPATED DISCUSSING THIS QUESTION WITH THE PRESIDENT AT SOME POINT DURING THE VISIT.

SECRET

SECRET

PAGE 02 BONN 12801 03 OF 03 122022Z

12. THE CHANCELLOR SEEMED RELAXED AND IN GOOD FORM, APPARENTLY WELL RECOVERED FROM HIS TEMPORARY HEALTH PROBLEMS FOLLOWING HIS AFRICAN TRIP. HE SENT HIS BEST WISHES TO THE PRESIDENT AND SAID HE LOOKS FORWARD WITH GREAT ANTICIPATION TO SEEING HIM IN BONN. STOESEL

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